



THE CITY OF SAN DIEGO
REPORT TO THE CITY COUNCIL

DATE ISSUED: May 11, 2011 REPORT NO:

ATTENTION: Budget Review Committee

SUBJECT: Technical Review of Southeastern Economic Development Corporation Budget

REFERENCE: Fiscal Year 2012 Proposed Budget

REQUESTED ACTION: This is an information item. No action is required.

SUMMARY:

This report is the product of Financial Management's technical review of the Redevelopment Agency's Fiscal Year 2012 Proposed Budget. This report is submitted to the Budget Review Committee in order to show changes in year-to-year Agency budgeting and spending.

OVERVIEW AND BACKGROUND

The City of San Diego publishes a City Agencies chapter within Volume I of its Proposed and Adopted Budgets. This chapter consists of a high-level overview of Agency Budgets published for the public's information; Agencies included in this chapter are the Redevelopment Agency, Southeastern Economic Development Corporation (SEDC), Centre City Development Corporation (CCDC), San Diego Housing Commission (SDHC), San Diego Employees' Retirement System (SDCERS), and the San Diego Data Processing Corporation (SDDPC). SDCERS is treated as an agency in the Fiscal Year 2012 Proposed Budget, unlike previous fiscal years in which SDCERS was included within the City of San Diego's budget. Redevelopment Agency, SEDC, and CCDC's budgets are not included in Volume I of the Fiscal Year 2012 Proposed Budget because information was not available in time for publication in the City's Proposed Budget due to uncertainties regarding Governor Brown's proposal to eliminate the State's redevelopment agencies. The City does not play a role in either constructing or monitoring Agency budgets.

Technical reviews of Agency budgets include more details on budgeted expenditures, salary information, and revenue sources than what is published in the City Agency chapter of the City's Proposed and Adopted Budgets. Agencies were asked to provide actual expenditures and revenues for Fiscal Year 2010 (either audited or unaudited), budgeted and projected expenditures and revenues for Fiscal Year 2011, and the proposed budget for Fiscal Year 2012.

The information in this report is what was provided to Financial Management from the Agency, presented with comments from Financial Management as appropriate.

SOUTHEASTERN ECONOMIC DEVELOPMENT CORPORATION

SEDC is one of the Redevelopment Agency's public nonprofit corporations, and staff oversees the following component areas within the Southeastern San Diego Merged Project Area: Central Imperial, Gateway Center West, Mt. Hope, and Southcrest. SEDC invests local dollars in order to support and create jobs, eliminate blight, and strengthen local economies by building safe, healthy, affordable, and sustainable communities in southeastern San Diego.

On February 28, 2011, the City of San Diego and the Redevelopment Agency entered into a Cooperation Agreement for Payment of Costs Associated with Certain Redevelopment Agency Funded Projects. Under the terms of this Cooperation Agreement, the Agency will provide funding to the City, and the City will implement identified redevelopment projects on the Agency's behalf. The funding pursuant to this Cooperation Agreement is reflected in the Agency's Fiscal Year 2012 Proposed Budget.

SEDC is proposing an \$8.2 million expenditure budget for Fiscal Year 2012 which is a \$2.5 million or 23 percent decrease in the expenditure budget from the Fiscal Year 2011 budget. This budget has an overall net addition of 1.00 full-time equivalent (FTE) position due to the following changes: the promotion of 1.00 Project and Other Managers position to the VP of Operations position, and the addition of 1.00 Admin/Support Staff position. The decrease of the Fiscal Year 2012 Proposed Budget from Fiscal Year 2011 is the net of an increase in overall personnel expenses of \$0.2 million or 26.3 percent and a decrease of \$2.7 million or 27.5 percent in non-personnel expenses. The majority of the decrease in non-personnel expenditures is attributed to the 100 percent reduction of the Project Budgets line item of \$4.0 million. This decrease in Project Costs is due to the fact that Fiscal Year 2012 project costs are now reflected in the Cooperation Agreement with the City of San Diego. Further explanations of significant budget adjustments between Fiscal Years 2012 and 2011 are listed in **Table 6**.

Personnel expenses for Fiscal Year 2011 are projected to come in \$74,300 or 8.4 percent over-budget for that year, while non-personnel expenses are projected to be \$58,100 or 0.6 percent over-budget. Projected personnel expenses in Fiscal Year 2011 are \$31,930 or 3.2 percent less than Fiscal Year 2010 actual personnel expenses. Projected non-personnel expenses in Fiscal Year 2011 are \$0.7 million or 7.8 percent higher than actual non-personnel expenditures in Fiscal Year 2010. Details regarding Fiscal Year 2010 Actual Expenditures, Fiscal Year 2011 Budget and Projected Expenditures, and the Fiscal Year 2012 Proposed Budget, are displayed in **Tables 1 and 2**.

TABLE 1: SOUTHEASTERN ECONOMIC DEVELOPMENT CORPORATION BUDGET SUMMARY					
	FY 2010 Actuals	FY 2011 Budget	FY 2011 Projected	FY 2012 Proposed Budget	FY 2011-2012 Change
Positions	9.00	10.00	10.00	11.00	1.00
Personnel Expense	\$ 991,930	\$ 885,700	\$ 960,000	\$ 1,119,000	\$ 233,300
Non-Personnel Expense	\$ 9,166,793	\$ 9,819,600	\$ 9,877,700	\$ 7,119,200	\$ (2,700,400)
TOTAL	\$ 10,158,723	\$ 10,705,300	\$ 10,837,700	\$ 8,238,200	\$ (2,467,100)

TABLE 2: SOUTHEASTERN ECONOMIC DEVELOPMENT CORPORATION EXPENDITURES

	FY 2010 Actuals	FY 2011 Budget	FY 2011 Projected	FY 2012 Proposed Budget	FY 2011-2012 Change
PERSONNEL					
Salaries & Wages	\$ 761,844	\$ 637,500	\$ 703,500	\$ 817,400	\$ 179,900
Overtime	\$ 4,820	\$ 22,500	\$ 17,700	\$ 18,200	\$ (4,300)
Fringe Benefits (health)	\$ 90,289	\$ 81,800	\$ 78,400	\$ 93,100	\$ 11,300
Fringe Benefits (pension)	\$ 107,555	\$ 83,700	\$ 91,700	\$ 106,600	\$ 22,900
Fringe Benefits (Life Insurance, Workers' Comp, Employer Employment Taxes, Pay-In-Lieu)	\$ 27,422	\$ 60,200	\$ 68,700	\$ 83,700	\$ 23,500
SUBTOTAL PERSONNEL	\$ 991,930	\$ 885,700	\$ 960,000	\$ 1,119,000	\$ 233,300
NON-PERSONNEL					
Supplies & Services	\$ 388,590	\$ 346,100	\$ 259,300	\$ 155,800	\$ (190,300)
Professional Services	\$ 237,464	\$ 282,500	\$ 288,000	\$ 172,200	\$ (110,300)
Information Technologies	\$ 22,603	\$ 13,200	\$ 15,200	\$ 12,000	\$ (1,200)
Energy/Utilities	\$ 25,699	\$ 19,500	\$ 14,500	\$ 11,000	\$ (8,500)
Equipment Outlay	\$ -	\$ -	\$ 2,000	\$ 1,000	\$ 1,000
Project Budgets ¹	\$ 1,797,934	\$ 3,961,700	\$ 4,032,800	\$ -	\$ (3,961,700)
Tax Sharing	\$ 678,903	\$ 555,700	\$ 555,700	\$ 466,000	\$ (89,700)
Education Revenue Augmentation Fund (ERAF)	\$ 2,315,800	\$ 476,300	\$ 476,300	\$ -	\$ (476,300)
CDBG Payments	\$ 100,000	\$ 324,000	\$ 324,000	\$ 346,300	\$ 22,300
City/County Payments ¹	\$ 508,924	\$ 586,400	\$ 620,000	\$ 603,300	\$ 16,900
City Debt Repayment	\$ -	\$ -	\$ -	\$ 10,000	\$ 10,000
Debt Service Appropriation	\$ 3,090,876	\$ 3,254,200	\$ 3,289,900	\$ 2,908,600	\$ (345,600)
Cooperation Agmt-Capital Proj	\$ -	\$ -	\$ -	\$ 1,921,400	\$ 1,921,400
Cooperation Agmt-Low/Mod Proj	\$ -	\$ -	\$ -	\$ 511,600	\$ 511,600
SUBTOTAL NON-PERSONNEL	\$ 9,166,793	\$ 9,819,600	\$ 9,877,700	\$ 7,119,200	\$ (2,700,400)
TOTAL	\$ 10,158,723	\$ 10,705,300	\$ 10,837,700	\$ 8,238,200	\$ (2,467,100)

¹City/County payments were budgeted as part of Project Budgets in the Fiscal Year 2011 Adopted Budget. They are called out separately here in an effort to better describe budgeted expenditures.

SEDC's budget includes reimbursements to various City of San Diego departments and other entities for services rendered. The Fiscal Year 2012 Proposed Budget for reimbursements is \$0.6 million, \$16,900 or 2.9 percent more than what was budgeted in Fiscal Year 2011 due to the increase of \$31,200 in reimbursements to the City Attorney's Office and the addition of \$11,000 in Trustee Payments which together mitigate the \$25,000 or 100 percent decrease in CDBG Audit Fees. SEDC is projecting a \$33,600 or 5.7 percent increase in Fiscal Year 2011 reimbursements compared to budget for all departments/entities, due primarily to a \$31,200 or 68.6 percent increase to the City Attorney's Department. SEDC's Fiscal Year 2011 reimbursement projection is an increase of \$0.1 million or 21.8 percent from Fiscal Year 2010 Actual expenditures due primarily to increases of \$44,791 or 107.6 percent in GGSB and \$75,000 or 100 percent in both the Redevelopment Audit fees and Redevelopment Division line items. These increases surpass the decreases in reimbursement to the City Attorney—\$18,192 or

19.2 percent, City Comptroller—\$16,921 or 15.8 percent, and for the Housing and Homeless Services Coordinator—\$17,398 or 87.9 percent.

Details regarding Fiscal Year 2010 Actual Reimbursements, Fiscal Year 2011 Budget and Projected Reimbursements, and the Fiscal Year 2012 Proposed Budget, are displayed in **Table 3** below.

TABLE 3: SOUTHEASTERN ECONOMIC DEVELOPMENT CORPORATION REIMBURSEMENTS TO DEPARTMENTS/ENTITIES					
Departments/Entities	FY 2010 Actuals	FY 2011 Budget	FY 2011 Projected	FY 2012 Proposed Budget	FY 2011- 2012 Change
Arbitrage Services	\$ 8,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ -
CDBG Audit Fees	\$ -	\$ 25,000	\$ -	\$ -	\$ (25,000)
City Attorney	\$ 94,892	\$ 45,500	\$ 76,700	\$ 76,700	\$ 31,200
City Comptroller	\$ 106,921	\$ 90,000	\$ 90,000	\$ 90,000	\$ -
City Treasurer	\$ 26,692	\$ 30,000	\$ 30,000	\$ 24,000	\$ (6,000)
Code Compliance	\$ 30,855	\$ -	\$ -	\$ -	\$ -
County Fees/Services	\$ 113,454	\$ 120,000	\$ 120,000	\$ 120,000	\$ -
CRA membership fees	\$ 2,352	\$ -	\$ -	\$ 2,000	\$ 2,000
Debt Management	\$ 1,500	\$ -	\$ -	\$ -	\$ -
Debt policy consultant	\$ -	\$ -	\$ -	\$ 900	\$ 900
Financial Management	\$ -	\$ 1,000	\$ 1,000	\$ 1,000	\$ -
General Liability Ins.	\$ 42,568	\$ 50,000	\$ 50,000	\$ 49,800	\$ (200)
Gen'l gov't services (GGSB)	\$ 41,609	\$ 86,400	\$ 86,400	\$ 86,400	\$ -
Housing and Homeless Services Coordinator	\$ 19,798	\$ -	\$ 2,400	\$ 2,400	\$ 2,400
Misc	\$ 3,502	\$ -	\$ -	\$ -	\$ -
Planning	\$ 1,817	\$ -	\$ -	\$ -	\$ -
Redevelopment Audit Fees	\$ -	\$ 75,000	\$ 75,000	\$ 74,000	\$ (1,000)
Redevelopment Division	\$ -	\$ 50,000	\$ 75,000	\$ 50,000	\$ -
Municipal Revenue Advisors	\$ 1,075	\$ 1,500	\$ 1,500	\$ 1,500	\$ -
SDDP - SAP System ¹	\$ -	\$ -	\$ -	\$ 1,600	\$ 1,600
Trustee Payments ¹	\$ 13,889	\$ -	\$ -	\$ 11,000	\$ 11,000
TOTAL	\$ 508,924	\$ 586,400	\$ 620,000	\$ 603,300	\$ 16,900

¹This item did not appear in the Fiscal Year 2011 Adopted Budget as a separate item.

SEDC lists \$8.2 million in revenue for their Fiscal Year 2012 Proposed Budget, a revenue decrease of \$2.5 million or 23 percent from Fiscal Year 2011 budget. SEDC explains this decrease in **Table 6** as a reduction in available prior years' bond proceeds and other revenue due to project implementation. Revenues for the Fiscal Year 2012 Proposed Budget equal SEDC's expenditures.

Revenues are projected to increase by \$0.1 million or 1.2 percent in Fiscal Year 2011 due mainly to an increase of \$0.1 million or 2.3 percent in Tax Increment revenue. Fiscal Year 2011 projected revenues are a \$0.2 million or 2 percent overall decrease from Fiscal Year 2010 actual revenues due mainly to a \$0.1 million or 2.4 percent decrease in Tax Increment, and a \$74,004 or 1.4 percent decrease in Bond Proceeds/Prior Years' Revenue. Details regarding Fiscal Year 2010 Actual Revenues, Fiscal Year 2011 Budget and Projected Revenues, and the Fiscal Year 2012 Proposed Revenues, are displayed in **Table 4** below.

TABLE 4: SOUTHEASTERN ECONOMIC DEVELOPMENT CORPORATION REVENUES					
Revenue Source	FY 2010 Actual	FY 2011 Budget	FY 2011 Projected	FY 2012 Proposed Budget	FY 2011-2012 Change
Tax Increment	\$ 5,874,975	\$ 5,600,000	\$ 5,731,500	\$ 5,731,500	\$ 131,500
Other Revenue	\$ 25,706	\$ 26,000	\$ 25,700	\$ 25,700	\$ (300)
Bond Proceeds/Prior Years' Revenue	\$ 5,154,504	\$ 5,079,300	\$ 5,080,500	\$ 2,481,000	\$ (2,598,300)
TOTAL	\$11,055,185	\$10,705,300	\$10,837,700	\$ 8,238,200	\$ (2,467,100)

SEDC salaries are budgeted at \$0.8 million for Fiscal Year 2012 and fringe benefits are budgeted at \$0.3 million, increases from Fiscal Year 2011 of \$0.2 million or 26.6 percent, and \$57,700 or 25.6 percent respectively. Explanations for the overall salary decrease are provided in **Table 6**, while details regarding salaries, overtime, and salary increases for the Fiscal Year 2011 Budget and the Fiscal Year 2012 Proposed Budget, are displayed in **Table 5** below.

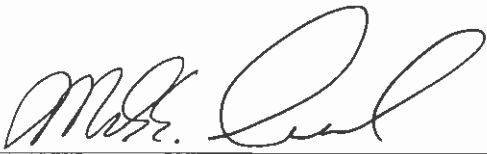
TABLE 5: SOUTHEASTERN ECONOMIC DEVELOPMENT SALARY SCHEDULE										
Position Title	FY 2011 Budget					FY 2012 Proposed Budget				
	FTE	Base Salary	Salary Increases (Merit, Bonus, etc.)	Salary Subtotal	Fringe Benefits	FTE	Base Salary	Salary Increases (Merit, Bonus, etc.)	Salary Subtotal	Fringe Benefits
President	1.00	\$ 75,000	\$ -	\$ 75,000	\$ 23,300	1.00	\$170,000	\$ -	\$170,000	\$ 46,100
CFO	1.00	\$115,000	\$ -	\$115,000	\$ 32,300	1.00	\$122,900	\$ -	\$122,900	\$ 35,100
VP, Projects & Development	1.00	\$ 90,000	\$ -	\$ 90,000	\$ 37,100	1.00	\$ 93,000	\$ -	\$ 93,000	\$ 39,700
VP, Operations	0.00	\$ -	\$ -	\$ -	\$ -	1.00	\$ 65,000	\$ -	\$ 65,000	\$ 18,300
Project and Other Managers	2.00	\$118,500	\$ -	\$118,500	\$ 51,500	1.00	\$ 67,000	\$ -	\$ 67,000	\$ 25,500
Staff Accountants	1.00	\$ 54,000	\$ -	\$ 54,000	\$ 25,600	1.00	\$ 58,400	\$ -	\$ 58,400	\$ 28,100
Admin/Support Staff	4.00	\$185,000	\$ -	\$185,000	\$ 51,800	5.00	\$241,100	\$ -	\$241,100	\$ 87,400
Overtime/Interns	-	\$ 22,500	\$ -	\$ 22,500	\$ 4,100	-	\$ 18,200	\$ -	\$ 18,200	\$ 3,200
TOTAL	10.00	\$660,000	\$ -	\$660,000	\$225,700	11.00	\$835,600	\$ -	\$835,600	\$ 283,400

**TABLE 6: SOUTHEASTERN ECONOMIC DEVELOPMENT
CORPORATION SIGNIFICANT BUDGET ADJUSTMENTS**

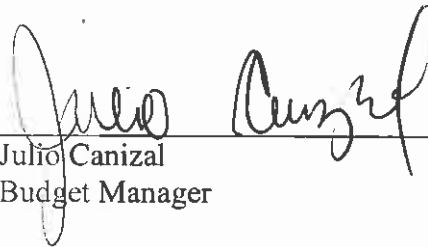
Significant Budget Adjustments	Position	Revenue	Expenses
Salaries and Benefits Adjustments			
Increase in personnel budget to reflect the addition of accounting/clerical support, the promotion of a Manager to a VP of Operations, and a full year of the new president's salary	1.00	\$ -	\$ 233,300
Non-Personnel Expenditure Adjustments			
Project costs are reflected in the Cooperation Agreement line items for Fiscal Year 2012 (see Table 2)	-	\$ -	\$ (3,961,700)
Cooperation Agreement transfers for capital projects to the City of San Diego	-	\$ -	\$ 1,921,400
Cooperation Agreement transfers for affordable housing projects to the City of San Diego	-	\$ -	\$ 511,600
Reduction of administrative expenses to reflect continuing extensive cost cutting efforts by staff and legal settlements anticipated to offset administrative costs	-	\$ -	\$ (309,300)
Tax sharing reduction because of reduced tax increment for the previous year	-	\$ -	\$ (89,700)
Debt service reduction because Gateway Center West 1995 bonds were fully redeemed in Fiscal Year 2011	-	\$ -	\$ (345,600)
The ERAF payment has not been announced for Fiscal Year 2012 by the State	-	\$ -	\$ (476,300)
Increase in anticipated City and County payments includes expected increases specifically in City Attorney fees	-	\$ -	\$ 16,900
City debt repayment	-	\$ -	\$ 10,000
Increase in CDBG repayments for Fiscal Year 2012 per Agency approved repayment schedule	-	\$ -	\$ 22,300
TOTAL EXPENSE ADJUSTMENTS	1.00	\$ -	\$ (2,467,100)

**TABLE 6: SOUTHEASTERN ECONOMIC DEVELOPMENT
CORPORATION SIGNIFICANT BUDGET ADJUSTMENTS (Cont'd)**

Significant Budget Adjustments	Position	Revenue	Expenses
Revenue Adjustments			
Tax increment anticipated to be the same as the county's prediction for Fiscal Year 2011, which exceeded the Fiscal Year 2011 budgeted amount	-	\$ 131,500	\$ -
There is less available prior years' bond proceeds and Other Revenue due to project implementation	-	\$ (2,598,600)	\$ -
TOTAL REVENUE ADJUSTMENTS	-	\$ (2,467,100)	\$ -



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